Everything You Need to Know About Food Assistance Reform

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Outline of President’s Food Assistance Reform Proposal:

Since its inception in 1954, Food for Peace programs have provided emergency food assistance from the United States to people overseas affected by natural disasters, food security crises and conflict. Food for Peace also funds important development programs through a process called “monetization”: U.S. commodities such as grain and corn are shipped overseas and sold in local markets, the proceeds of which are then used to fund development programs in areas near where the commodities are sold.

In its FY2014 budget request, the Obama Administration outlined a **reform proposal** for Food for Peace Title II programs, which would allow life-saving assistance to reach an additional two to four million people while making the programs more flexible and efficient.

These proposed reforms would end monetization while also recommending that up to 45% of emergency food assistance be acquired through local and regional purchasing (LRP) from countries nearer to the affected areas or through cash and voucher programs (though at least 55% would continue to be the provision of U.S. commodities).

The reforms would also be implemented by zeroing out the Food for Peace Title II account and transferring its funding ($1.466 billion in FY12) from the jurisdiction of the Agriculture Appropriations Subcommittee to three USAID accounts under the jurisdiction of the State and Foreign Operations (SFOPS) Appropriations Subcommittee:

- **$1.12 billion to the International Disaster Assistance account (IDA) for emergency food assistance.**
  - This is in addition to the $300 million that is already implemented under IDA for cash-based emergency food assistance through the Emergency Food Security Program (EFSP), which would allow for a total of $1.42 billion for emergency food assistance.

- **$250 million to the Development Assistance account (DA) for non-emergency food assistance.**
  - This is combined with an additional $80 million in DA from USAID Bureau for Food Security resources, which would result in a total of $330 million available for the Community Development and Resilience Fund (CDRF). These monies would be managed by USAID’s...
Office of Food for Peace to fund development programs that address chronic food insecurity in areas of recurrent crisis.

- $75 million to create a new account, the Emergency Food Assistance Contingency Fund.
- An additional $25 million would also be transferred from the P.L. 480 Title II Food for Peace account to the Department of Transportation’s Maritime Administration.

Additional details regarding the President’s proposals, including its effects on the agriculture and shipping industries, can be found in several fact sheets, including “Behind the Numbers.”

NGO Set of Principles for Food Assistance Reform

In response to the White House proposal, leading U.S. NGO members of InterAction agreed on a set of principles to guide food aid reform efforts. These principles include making sure any reforms protect the core focus and effective elements of existing food assistance programs, increase the number of people helped, improve the flexibility of programs, and are made in an open, transparent and inclusive process.

Congressional Action:

The President’s proposals would require significant Congressional action. Several avenues have been explored, including the Royce-Engel Food Aid Reform Amendment #15 to the House Farm Bill, the LRP Amendment to the Senate Farm Bill, the Farm Bill Conference, the Appropriations Process, and the Royce-Bass Food Reform Act.

Royce-Engel Food Aid Reform Amendment #15 to the House Farm Bill:

On June 19, Reps. Ed Royce (R-CA) and Eliot Engel (D-NY) offered an amendment to the House farm bill (H.R. 1947). The amendment would have allowed up to 45% of authorized food aid funds to be used for LRP, which would mean purchasing food closer to the crises and people it is intended to help – in addition to direct food aid shipped from the U.S. – which gives the U.S. more options for saving lives and reaching millions of additional people. The amendment would have also eliminated the minimum requirement for monetization, potentially allowing the agricultural and economic development projects currently supported through monetization to be directly funded, which could increase the number of people helped.

While the amendment had broad, bipartisan support – 105 Republicans and 98 Democrats voted in favor – it failed by a vote of 203-220, a margin of just 17 votes. The amendment received more votes than the House farm bill; if just 9 more Members supported the amendment, it would have been approved.

InterAction sent a letter to Congress, signed by 30 U.S. humanitarian and advocacy organizations, in support of the amendment. InterAction also released a press release in support of the amendment and another expressing disappointment that the amendment failed to pass. A thank you letter signed by 25 U.S. NGOs was sent to Members of Congress that voted in favor of the amendment, and a letter signed by 15 U.S. NGOs was sent to Members of Congress that voted against the amendment. We have also put together a list of key facts to set the record straight on the Royce-Engel amendment:

Reducing the proportion of U.S. commodities exported as U.S. food aid will not harm American farmers. In recent years, U.S. food aid has accounted for less than 1% of total U.S. agriculture exports. Shifting 45%
of Title II assistance to cash means there will still be a substantial amount of American food products used in food aid programs and overall, the decrease in U.S. food will have a negligible impact on U.S. farmers.

**Reductions in U.S. food aid shipped overseas would have a minimal impact on the U.S. shipping industry and U.S. maritime jobs.** Food aid is a small proportion of overall U.S.-flag preference shipping business. Other flag-preference opportunities exist that represent more than 1 billion metric tons of cargo annually compared to just 1.5 million metric tons that USAID transported in the past year.

**U.S. national security will remain strong as the U.S. modernizes U.S. food aid.** Per the Defense Department’s analysis, Undersecretary of Defense Frank Kendall stated in a letter to Chairman Royce on June 18, 2013 that the proposed reforms “will not impact U.S. maritime readiness and national security,” and confirmed that reforms would have no bearing on any militarily useful vessels. Multiple GAO reports have made similar findings.

**Purchasing food aid closer to where it is needed, known as Local and Regional Purchase (LRP), is a well-tested and highly accountable process.** LRP is just as secure against corruption as other forms of food aid. Reputable organizations including the World Food Program and many large NGOs have developed robust LRP accountability mechanisms that parallel those for in-kind food aid.

**By creating greater flexibility in U.S. food aid programs, the Royce/Engel reforms will strengthen the Food for Peace program and maintain appreciation for American generosity.** This potential for an even stronger program is why major Food for Peace partners, anti-hunger advocates, and the heads of USDA and USAID have endorsed these changes. Increasing the flexibility to use cash tools alongside commodities, and removing the need for “monetization” of food aid, will make the program stronger, more efficient, and help reach millions more people with the same level of investment. These reforms will continue to showcase American generosity abroad, as LRP commodities are, like standard food aid, distributed in U.S.-branded packaging.

**LRP Amendment to the Senate Farm Bill:**

On June 7, the Senate approved by voice vote an amendment to the Senate farm bill (S.954) offered by Senators Chris Coons (D-DE), Mike Johanns (R-NE), Dick Durbin (D-IL), Johnny Isakson (R-GA) and Patrick Leahy (D-VT) that would increase the authorization for the Local and Regional Procurement (LRP) program from $40 million per year to $60 million per year. LRP allows cash purchases of food assistance to be made outside of the U.S. in areas closer to the emergencies where people need U.S. assistance. The 2008 farm bill included a LRP pilot program and the current proposed Senate farm bill would make that program permanent. InterAction and other NGOs signed a [statement](#) in support of the amendment.

The Senate farm bill passed on June 10 by a vote of 66-27.

**Farm Bill Conference:**

As the farm bill is finalized before the end of this year, InterAction will continue to push for sensible reforms to the Food for Peace Title II program. On October 4, InterAction and a group of members pulled together joint letters, [one](#) to Senate farm bill conferees and [one](#) to House Agriculture Committee Chairman Frank Lucas (R-OK) and Ranking Member Collin Peterson (D-MN), in support of provisions on food aid reform that we would like to see adopted in the farm bill conference. InterAction helped recruit for more information contact Katie Lee at [klee@interaction.org](mailto:klee@interaction.org) 202-552-6562
House Members to sign a bipartisan letter, spearheaded by Representatives Ander Crenshaw (R-FL) and Adam Smith (D-WA), with over 50 signatures that was addressed to the farm bill conferees in support of food aid reform provisions. A joint press release was issued in support of this bipartisan letter.

Appropriations Process:

Since the President’s proposal relies heavily on Congress transferring funding from the Agriculture Appropriations bill to the SFOPS bill, the annual 302(b) allocations, which set funding caps for the individual appropriations bills each year, have played a key role in determining the fate of the proposal. In May, the House Appropriations Committee released its allocations, which included just $40.6 billion for SFOPS – an approximately 21% drop from post-sequestration levels for FY2013 – and $19.5 billion for Agriculture, which would be essentially flat funded from FY2013. House appropriators stated they are not transferring funds from Agriculture to SFOPS appropriations for food assistance programs.

The House’s proposed Agriculture Appropriations bill (H.R.2410) funds Food for Peace Title II programs at just $1.15 billion, a 19.9% or $285 million cut from FY2013 enacted levels, which could adversely affect up to 8 million beneficiaries. Agriculture Appropriations Subcommittee Ranking Member Sam Farr (D-CA) said: “If we pass into law the number we’ve been given, it will directly result in more than 7 million people losing access to emergency food assistance and supplemental food assistance. That’s roughly the populations of Los Angeles, Chicago and Tucson combined.” The draft report accompanying the bill would mandate a third-party study on ways the program can reach more hungry people in a more efficient and cost-effective manner. Read more about the House cuts to food assistance programs here. The bill will be considered on the House floor in the coming weeks.

The Senate Appropriations Committee has also signaled its intention to retain funding for food assistance programs in Agriculture, as opposed to SFOPS, appropriations. On June 20, the Senate Appropriations Committee released and approved their 302(b) allocations for FY2014, with a total allocation for SFOPS of $50.6 billion, approximately equal to FY2013 post-sequestration funding levels and the President’s FY2014 request. Agriculture appropriations received an overall allocation of $20.93 billion, which is $420 million higher than FY2013 enacted levels (pre-sequestration).

Senate funding levels for Food for Peace programs were considerably higher than the House. The Senate version of the Agriculture Appropriations bill (S.1244) includes $1.466 billion for Food for Peace programs, which is $33 million above fiscal year 2013 pre-sequestration levels and $316 million above the House FY2014 proposed funding level of $1.15 billion. While the bill does not adopt the president’s reform proposal, the bill summary states that it “eliminates approximately 17% of monetization ($20 million) and allows more flexibility for administrative activities for development programs.”

In unveiling the bill in the Senate Appropriations Committee, Agriculture Appropriations Subcommittee Chairman Mark Pryor (D-AR) and Ranking Member Roy Blunt (R-MO) each highlighted the Food for Peace program in their opening statements. Sen. Blunt said, “Food for Peace has been the cornerstone of America’s humanitarian assistance abroad since 1954. It plays a vital role in linking the American farmer with the developing world, and it is the largest, most consistently supported food and agricultural development assistance program we provide.”

Twenty-one U.S. NGOs and InterAction members signed joint letters regarding U.S. food assistance, one addressed to the House Agriculture Appropriations Subcommittee and one addressed to the Senate.

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Appropriations Committee. These letters urge Congress to support critical Food for Peace Title II programs by appropriating at least $1.5 billion in the FY 2014 Agriculture Appropriations bill. The letters also urge Congress to work with the Administration to find efficiencies and reforms that would enable those dollars to reach more of the world’s hungry people, as well as grant increased flexibility to use cash resources alongside commodities within Food for Peace Title II programs in FY2014.

InterAction also sent letters signed by 27 U.S. NGOs to Congress (one to House Appropriations Chairman Hal Rogers (R-KY) and Ranking Member Nita Lowey (D-NY); one to House State-Foreign Operations Appropriations Subcommittee Chairwoman Kay Granger (R-TX) and Ranking Member Nita Lowey (D-NY); one to House Agriculture Appropriations Subcommittee Chairman Robert Aderholt (R-AL) and Ranking Member Sam Farr (D-CA); one to Senate Appropriations Chairwoman Barbara Mikulski (D-MD) and Ranking Member Richard Shelby (R-AL); one to Senate State-Foreign Operations Appropriations Subcommittee Chairman Patrick Leahy (D-VT) and Ranking Member Lindsay Graham (R-SC); and one to Senate Agriculture Appropriations Subcommittee Chairman Mark Pryor (D-AR) and Ranking Member Roy Blunt (R-MO)) in September in support of appropriations for food security accounts and two food aid reform provisions that we would like to see adopted in any longer-term continuing resolution or omnibus bill that would fund the government during FY2014.

These provisions include:

- $35 million included in the FY2014 Senate Agriculture Appropriations bill (see here for more information) drawn from existing funding but directed to be used to replace monetized in-kind commodities and other changes that provide greater flexibility in the use of administrative funds to pay for program costs. These changes will improve the efficiency of Food for Peace development programs and allow hundreds of thousands of additional people to better feed themselves, lift their communities out of abject poverty, and mitigate the need for future emergency assistance. These changes are an instrumental step in ending the practice of monetization in Food for Peace development programs.

- Authorization of the Community Development and Resilience Fund (CDRF). This language (see here and below) that formalizes the operation of the CDRF. The CDRF is an Administration initiative that transfers some Development Assistance funds into Food for Peace development programs that build resilience and long-term food security, thereby reducing the need for future emergency assistance. When this transfer occurs, an equal value of commodities is moved over from development programs to be made available for emergency Food for Peace programming. This process reduces the need to monetize U.S. commodities in development programs and increases the resources available to respond to food emergencies.

Royce-Bass Food Aid Reform Act:

On May 15, House Foreign Affairs Committee Chairman Ed Royce (R-CA) and Africa Subcommittee Ranking Member Karen Bass (D-CA) introduced the Food Aid Reform Act (H.R. 1983), which they contend will “save $500 million over the next ten years while at the same time enabling the United States to reach more people, more quickly, at less expense.” Reps. Royce and Bass state that this bill will “eliminate U.S. procurement requirements for agricultural commodities; eliminate the costly and inefficient practice of ‘monetization’; align nonemergency food aid with the Foreign Assistance Act of 1961; and exempt U.S. food aid provided from cargo preference requirements.”

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It is important to note that the Royce-Bass Food Aid Reform Act is **NOT** the same as the Royce-Engel amendment to the House farm bill. The Royce-Engel amendment to the farm bill would keep funding in Agriculture appropriations, while the Royce-Bass legislation would transfer funding to SFOPS appropriations.

Concerns have been raised that the Royce-Bass bill does not provide authorization for, and essentially de-authorizes, Food for Peace Title II nonemergency programs. InterAction and its members will continue to monitor the legislation and work with Reps. Royce and Bass and members of the House Foreign Affairs Committee to ensure that authorization for nonemergency programs continues should the bill be marked up in committee.

The press release on the Food Aid Reform Act can be found [here](#) and a section-by-section summary of the bill is [here](#).

**InterAction and U.S. NGO Bill Language to End Monetization:**

InterAction members have proposed bill language that could be enacted through various legislative vehicles which would end monetization and establish the Community Development and Resilience Fund (CDRF). While activities currently funded through Food for Peace Title II non-emergency programs could be more efficiently funded using cash instead of the practice of “monetization,” there is broad agreement that the programs themselves are of high quality and serve an important purpose. In recent years, the Administration has allocated roughly $60-80 million per year through the Development Assistance account to a “Community Development Fund (CDF)” that supports these programs directly using cash instead of commodities. Congress and the Administration could end monetization while preserving the programs’ vital role by formally establishing the CDF as the administration’s proposed Community Development and Resilience Fund (CDRF) and its purposes and authorities in law as counting toward the development “safebox” within the farm bill (the development “safebox” is authorized in the current farm bill and requires that, for FY13, $400 million must be spent on development programs within the Food for Peace account).

Section 3___ Community Development and Resilience Fund (CDRF):

“(a) The Administrator shall establish a Community Development and Resilience Fund to promote activities authorized under Section 103 of the Foreign Assistance Act (22 U.S.C. 2151 et seq.).

(b) Funds appropriated to carry out part I of the Foreign Assistance Act of 1961 may be made available for disbursement by the Office of Food for Peace in conjunction with grants and cooperative agreements provided for nonemergency programs for private voluntary organizations and cooperatives pursuant to title II of the Food for Peace Act and such funds may be deemed to be expended on nonemergency food assistance for purposes of section 412(e)(1) of the Food for Peace Act, 7 U.S.C. 1736f(e)(1).”

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